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# Proposed programme budget for the biennium 2006-2007*

## Part X
## Jointly financed administrative activities and special expenses

## Section 31
## Special expenses

Contents


| | | Page |
|---|---|---|
| | Overview | 2 |
| A. | After-service health insurance | 2 |
| B. | Compensatory payments | 4 |
| C. | General insurance | 4 |
| D. | Bank charges | 5 |
| E. | Pension payments to former Secretaries-General | 6 |


* A summary of the approved programme budget will subsequently be issued as *Official Records of the General Assembly, Sixtieth Session, Supplement No. 6* (A/60/6/Add.1).

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## Overview

31.1 Under section 31, Special expenses, resources are provided to cover specific expenditure requirements for: (a) after-service health insurance; (b) compensatory payments; (c) general insurance charges; (d) bank charges; and (e) pension payments to former Secretaries-General (see table 31.1).

Table 31.1 **Resource requirements by component**

(Thousands of United States dollars)

(1) *Regular budget*

| *Component* | *2002-2003 expenditure* | *2004-2005 appropriation* | *Resource growth* | | *Total before recosting* | *Recosting* | *2006-2007 estimate* |
|---|---|---|---|---|---|---|---|
| | | | *Amount* | *Percentage* | | | |
| A. After-service health insurance | 58 323.7 | 68 274.7 | 9 050.9 | 13.3 | 77 325.6 | 7 440.0 | 84 765.6 |
| B. Compensatory payments | 1 752.1 | 1 699.5 | (64.8) | (3.8) | 1 634.7 | 80.3 | 1 715.0 |
| C. General insurance | 8 391.9 | 9 795.5 | (2 660.1) | (27.2) | 7 135.4 | 405.2 | 7 540.6 |
| D. Bank charges | 1 016.6 | 549.9 | (150.0) | (27.3) | 399.9 | 20.3 | 420.2 |
| E. Pension payments to former Secretaries-General | 796.9 | 936.3 | 122.5 | 13.1 | 1 058.8 | 53.6 | 1 112.4 |
| **Subtotal** | **70 281.2** | **81 255.9** | **6 298.5** | **7.8** | **87 554.4** | **7 999.4** | **95 553.8** |

(2) *Extrabudgetary*

| | *2002-2003 expenditure* | *2004-2005 estimate* | *2006-2007 estimate* |
|---|---|---|---|
| **Subtotal** | **9 386.7** | **11 601.1** | **17 955.6** |
| **Total (1) and (2)** | **79 667.9** | **92 857.0** | **113 509.4** |

## A. After-service health insurance

***Resource requirements (before recosting): $77,325,600***

31.2 After-service health insurance coverage (for hospitalization and medical and dental expenses) is provided on a shared contribution basis to retired staff members and their dependants in accordance with a decision taken by the General Assembly at its twenty-first session. Coverage is also provided to staff members whose appointments are terminated as a result of disability. In all cases, coverage is available only to those who are eligible to receive a periodic benefit from the United Nations Joint Staff Pension Fund or under the rules governing compensation for service-incurred death, injury or illness. In accordance with General Assembly resolution 38/235 of 20 December 1983, the maximum cost-sharing ratio is 2 to 1 between the Organization and the participants.

31.3 By its resolution 40/258 A of 18 December 1985, the General Assembly decided to extend after-service health insurance coverage to former locally recruited staff who participated in a medical expense assistance plan under appendix E to the Staff Rules.

31.4 Following retirement, staff members are eligible for subsidized after-service coverage if they have participated in a United Nations system contributory health insurance plan for at least 10 years and are participating in a United Nations plan at the time of retirement. Staff members who upon retirement have participated in a United Nations contributory plan for at least five years are also eligible, provided that they pay the full premium for the period for which their participation falls short of the 10-year requirement for subsidized participation.

31.5 Since the inception of the after-service health insurance programme in the United Nations, the programme has grown in terms of both the number of participants and the related cost. Beginning in 1999, the increase in enrolment has become steady and has demonstrated a tendency to accelerate due to the ageing population of subscribers. For the biennium 2006-2007, the requirements have been prepared employing the same methodology as in prior years. In view of historical trends and projections based on personnel data, the enrolment figures are expected to increase further as an increasing number of staff reach retirement age. The drivers of medical costs, demographics and prescription drug utilization are also on the rise (see table 31.2).

Table 31.2 **Resource requirements: after-service health insurance**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2004-2005* | *2006-2007 (before recosting)* | *2004-2005* | *2006-2007* |
| Regular budget | | | | |
| Non-post | 68 274.7 | 77 325.6 | — | — |
| **Total** | **68 274.7** | **77 325.6** | — | — |
| Extrabudgetary | 11 601.1 | 17 955.6 | — | — |

31.6 The requirements of $77,325,600, including an increase of $9,050,900, are based on an anticipated annual increase in membership in the insurance programme and in insurance premiums during the biennium 2006-2007. The increase in membership is projected at an annual level of 7.6 per cent on average under the insurance plans administered at Headquarters, at a level of 11.7 per cent on average at Geneva and a level of 16.0 per cent on average under the insurance plans administered by the United Nations Office at Vienna. The average premium costs per participant vary among different insurance plans and between the costs experienced at New York, Geneva and Vienna, but a tendency towards an increase in average costs is clearly demonstrated with respect to all insurance plans.

31.7 The estimated requirements reported in table 31.2 above address the current end-of-service benefit liabilities for retired staff. In its resolutions on the biennial programme budgets and the financial reports and audited financial statements and reports of the Board of Auditors, the General Assembly endorsed the respective observations and recommendations of the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors on the long-term liabilities for after-service health benefits. The Secretariat is currently looking at options and arrangements to address the long-term liabilities of the Organization for after-service health benefits for all categories of retired personnel. The related proposals will be submitted in a separate report to the General Assembly at its sixtieth session.

## B. Compensatory payments

***Resource requirements (before recosting): $1,634,700***

31.8 The requirements under compensatory payments (see table 31.3) provide for compensation to members of commissions, committees and other similar United Nations bodies in the event of death, injury or illness attributable to service with the United Nations. The responsibilities of the United Nations in this area, as well as the rules governing compensatory payments, are detailed in Secretary-General's bulletin ST/SGB/103/Rev.1.

31.9 Compensation is also provided to staff members or their dependants in the event of death, injury or illness attributable to the performance by the staff member of official duties on behalf of the United Nations. The compensation is governed by the specific rules under appendix D to the Staff Rules (ST/SGB/Staff Rules/Appendix D/Rev.1/Amend.1).

31.10 The costs incurred on both those accounts may include death annuities, monthly benefits for incapacity resulting from injury or illness, lump-sum indemnities for permanent disabilities and medical, hospital and other related expenses.

Table 31.3 **Resource requirements: compensatory payments**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2004-2005* | *2006-2007 (before recosting)* | *2004-2005* | *2006-2007* |
| Regular budget | | | | |
| Non-post | 1 699.5 | 1 634.7 | — | — |
| **Total** | **1 699.5** | **1 634.7** | — | — |
| Extrabudgetary | — | — | — | — |

31.11 The resource requirements of $1,634,700, including a decrease of $64,800, are based on expenditure experience over the period 2001-2004.

## C. General insurance

***Resource requirements (before recosting): $7,135,400***

31.12 The provisions under general insurance (see table 31.4) relate to insurance of the buildings and property at United Nations Headquarters, including automobiles and works of art, insurance of aircraft used for travel by the Secretary-General but not owned by the United Nations and insurance for other air travel. In addition, in accordance with General Assembly resolution 41/210 of 11 December 1986, the United Nations has established a self-insurance plan for general liability risk in respect of acts occurring within the Headquarters district in the United States of America. The provisions also cover a stand-alone insurance policy for terrorism acts, which was established effective 2003 following the events of 11 September 2001 as a result of limitations in the scope of insurance coverage for risks, such as terrorism acts, that would normally have been covered under the general policies.

Table 31.4 **Resource requirements: general insurance**

| Category | Resources (thousands of United States dollars) 2004-2005 | 2006-2007 (before recosting) | Posts 2004-2005 | 2006-2007 |
|---|---|---|---|---|
| Regular budget | | | | |
| Non-post | 9 795.5 | 7 135.4 | — | — |
| **Total** | **9 795.5** | **7 135.4** | — | — |
| Extrabudgetary | — | — | — | — |

31.13 Costs under this provision are estimated in the amount of $7,135,400 for the biennium 2006-2007, based on the terms of contracts recently signed with the insurance providers at Headquarters. A reduction in requirements is estimated in the amount of $2,660,100, which reflects a reduction of $1,126,700 with respect to the general insurance policy, and a reduction of $1,533,400 with respect to the insurance for terrorism acts. The reduction with respect to general property insurance results from more favourable premium rates negotiated with the provider. The reduction under the insurance for terrorism acts reflects market trends whereby premiums have demonstrated a downward trend since the initial adverse effect of the events of 11 September 2001.

## D. Bank charges

***Resource requirements (before recosting): $399,900***

Table 31.5 **Resource requirements: bank charges**

| Category | Resources (thousands of United States dollars) 2004-2005 | 2006-2007 (before recosting) | Posts 2004-2005 | 2006-2007 |
|---|---|---|---|---|
| Regular budget | | | | |
| Non-post | 549.9 | 399.9 | — | — |
| **Total** | **549.9** | **399.9** | — | — |
| Extrabudgetary | — | — | — | — |

31.14 The requirements of $399,900 (see table 31.5) relate to transaction costs and other fees for services provided by banks. These are based on the estimated volume of banking transactions and reflect the anticipated savings of $150,000 owing to United Nations participation in the Society for Worldwide Interbank Financial Telecommunication (SWIFT) system. It is estimated that participation in SWIFT will yield savings in costs of transactions. These costs are more than offset by interest income earned on cash balances, which are budgeted under income section 2, General income.

## E. Pension payments to former Secretaries-General

***Resource requirements (before recosting): $1,058,800***

Table 31.6 **Resource requirements: pension payments to former Secretaries-General**

| | *Resources (thousands of United States dollars)* | | *Posts* | |
|---|---|---|---|---|
| *Category* | *2004-2005* | *2006-2007 (before recosting)* | *2004-2005* | *2006-2007* |
| Regular budget | | | | |
| Non-post | 936.3 | 1 058.8 | — | — |
| **Total** | **936.3** | **1 058.8** | **—** | **—** |
| Extrabudgetary | — | — | — | — |

31.15 The requirements of $1,058,800 provide for the retirement allowances of former Secretaries-General, based on the maximum retirement benefit payable as from 1 September 2004.

Table 31.7 **Summary of follow-up action taken to implement relevant recommendations of the oversight bodies**

| *Brief description of the recommendation* | *Action taken to implement the recommendation* |
|---|---|
| **Report of the Board of Auditors** (A/59/5 (vol. I), chap. II) | |
| The Board of Auditors recommended that the United Nations review the funding mechanism for end-of-service and post-retirement benefits liabilities (paras. 15 (b) and 47). | The funding mechanism for the end-of-service and post-retirement benefits liabilities is currently under review. The outcome of that review and related proposals will be reported in a special report to the General Assembly at its sixtieth session. |